

Message Text

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PAGE 01 ABU DH 01395 161317Z
ACTION NEA-11

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FM AMEMBASSY ABU DHABI
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AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
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AMEMBASSY MANAMA
AMEMBASSY MUSCAT

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E.O. 11652: NA
TAGS: BEXP, ENRG, TC
SUBJ: FLOUR
WINS ADNOC INFRASTRUCTURE PROJECT MANAGEMENT ASSISTANCE
CONTRACT FOR RUWAIS

1. ADNOC SIGNED MAY 14 THREE YEAR CONTRACT WITH FLOUR CORPORATION TO PROVIDE PROJECT MANAGEMENT ASSISTANCE ON INFRASTRUCTURE AT NEW INDUSTRIAL COMPLEX AT RUWAIS, A HUNDRED MILES WEST OF ABU DHBI CITY. THE CONTRACT IS, IN ONE OF ADNOC OFFICIAL'S WORDS, "OPEN ENDED" IN THE SENSE THAT ADNOC WILL BE ABLE TO CALL IN VARYING NUMBERS OF FLUOR MANAGEMENT LEVEL PERSONNEL AS CIRCUMSTANCES REQUIRE FOR THE PROJECT MANAGMENT OF THE INFRASTRUCTURE AT RUWAIS. THE PROGRAM INCLUDES ASSISTANCE ON THREE MAJOR SHIPPING TERMINALS - LIQUID PRODUCTS, GENERAL AND BULK CARGO AND LNG, IN ADDITION TO A SEMI PERMANENT WHARF FOR CONSTRUCTION MATERIALS. A RESIDENTIAL COMMUNITY, A TELECOMMUNICATION NETWORK AND AN AIRPORT ALSO FALL WITHIN THE AMBIT OF THE FLOUR-ASSISTED PROJECTS. INCLUDED ALSO WILL BE ASSISTANCE ON THE PROVISION OF COMPLETE MUNICIPAL SERVICES
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EXCEPT POWER; THERE INCLUDE WATER, SANITATION, FIRE PROTECTION,

BUILDINGS, ROADS, DRAINAGE ETC.

2. FLUOR WILL BE DIRECTLY RESPONSIBLE FOR PROJECT MANAGEMENT OF TRANSPORTATION, CONSTRUCTION AND SERVICE INFRASTRUCTURE PROJECTS WHERE ADNOC NEITHER SEEKS TO GAIN EXPERIENCE NOR HAS AVAILABLE

SUFFICIENT SKILLED MANPOWER. ADDITIONALLY ADNOC PRESENTLY PLANS TO SET UP A DIVISION CONCERNED WITH RUWAIS IMPLEMENTATION STUFFED BY ITS OWN PERMANENT EMPLOYEES ASSISTED ON AN AS NEEDED BASIS BY FLUOR. THESE ADNOC EMPLOYEES WOULD FUNCTION AS THE OWNER'S PROJECT REPRESENTATIVES DURING THE IMPLEMENTATION OF EACH OF THE INDIVIDUAL INDUSTRIAL PLANTS (NGL FRACTIONATING, ASSOCIATED GAS PROCESSING FERTILIZER AND REFINERY) AND INFRASTRUCTURE FACILITIES (POWER AND DESALINATION). SINCE ADNOC HAS ONLY A VERY LIMITED NUMBER OF ITS OWN PERSONNEL AVAILABLE TO ACT IN THIS ROLE, FLUOR WILL BE EXPECTED TO PROVIDE ADNOC'S MEN WITH B XFAUP ASSISTANCE IN SUPERVISING AND APPROVING THE WORK OF THE ENGINEERING COMPANIES. THE NUMBER OF FLUOR PERSONNEL INVOLVED IS EXPECTED TO REACH 50 WITHIN SIX MONTHS. BOTH FLUOR'S AND ADNOC'S PROJECTIONS BEYOND THAT DATE ARE UNCERTAIN AND WILL DEPEND ON THE PACE OF WORK AND ADNOC'S DEGREE OF SATISFACTION WITH THE RELATIONSHIP. IT COULD EXPAND GREATLY.

3. COMMENT: SIGNING OF THIS CONTRACT RESOLVES FOR THE TIME BEING A QUIET BUT LONG SIMMERING DISAGREEMENT AMONG ABU DHABI LEADERSHIP ABOUT HOW TO HANDLE ORGANIZATIONALLY THE DEVELOPMENT OF HYDRO-CARBON ASSOCIATED INDUSTRIES IN THE UAE. REPORTEDLY, ADNOC'S CONSULTANT, ARTHUR D. LITTLE, RECOMMENDED THAT A SEPARATE RUWAIS DEVELOPMENT AUTHORITY BE SET UP ORGANIZATIONALLY DISTINCT FROM ADNOC. THEIR ARGUMENT WAS THAT ADNOC'S MANAGERIAL CAPACITIES WERE STRETCHED TO THE LIMIT ALREADY RUNNING ITS ONGOING OPERATIONS. IN THIS VIEW, EXPANSION OF ADNOC'S MANDATE LIMITED OFFICIAL USE

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WOULD REDUCE EFFICIENCY IN ITS BASIC FUNCTIONS AS WELL AS GET THE NEW VENTURES AT RUWAIS OFF TO A ROCKY START. THE CONSULTANT'S PLAN FLOUNDERED ON THE REALITIES OF SHAIKHLY POLITICS WHEN SHAIKH TAHNOON, ADNOC'S CHAIRMAN AND UAE PRESIDENT SHAIKH ZAYID'S NEPHEW, REFUSED TO CONTEND A WAR AGAINST HIS EMPIRE.

4. NONETHELESS, THE ADNOC BOARD AGREED THAT ADNOC WOULD BE TOO THINLY STRETCHED TO EXECUTE A PROJECT LIKE RUWAIS ON ITS OWN. THUS, THEY HAVE SOUGHT OUTSIDE PROJECT MANAGEMENT ASSISTANCE, WHICH, ALTHOUGH NOW LARGELY CONFINED TO INFRASTRUCTURE, CAN BE EXPANDED AS REQUIRED TO ASSURE THAT ADNOC IS NEITHER DEFEATED NOR DEFORMED BY THE DEMANDS OF THE MULTI-BILLION DOLLAR INDUSTRIAL COMPLEX AT RUWAIS. WHILE THE TERMS OF THIS CONTRACT PERTAIN DIRECTLY TO INFRASTRUCTURE, BOTH ADNOC AND FLUOR RECOGNIZE THE POSSIBILITY FOR SUBSTANTIALLY MORE RESPONSIBILITY DEVOLVING UPON FLUOR AS THE RUWAIS PROJECT PROCEEDS. AS ONE ADNOC OFFICIAL HAS STATED, "WE HAVE NOW ESTABLISHED THE BASIS FOR GETTING HELP TO MAKE RUWAIS A SUCCESS. IF WE ONLY NEED IT FOR INFRASTRUCTURE, O.K., IF WE WANT MORE, WE HAVE FLUOR ALREADY AT HAND." DICKMAN

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